FISCAL NOTE

HB 981 - SB 1348

April 1, 2005

SUMMARY OF BILL: Removes right of the Tennessee Municipal League and the Tennessee County Services Association to appoint members of the Advisory Committee created pursuant to T.C.A. 9-21-151. Includes loan agreements in list of debt obligations for which disclosure of costs of issuance and ongoing fees is required prior to the sale of debt. Requires financial advisors, underwriters or placement agents intending to participate in the issuance of debt for a public entity to file with the public entity, an estimate of the costs of issuance and annual fees that the public entity will be required to pay prior to the issuance of debt. Currently, such filing is to be made with the director of local finance in addition to the public entity. Requires financial advisors or underwriters for debt obligations used to fund loan agreements or lease purchase agreements between public entities to first file with the public entity required to make principal and interest payments, an estimate of the costs of issuance and annual fees that the public entity will be required to pay in association with the issuance of debt. Authorizes the public entity obligated to pay principal and interest under a loan or lease agreement to designate the financial advisor, underwriter, or placement agent to be responsible for such filing. Currently, the financial advisor is responsible. States that the entity responsible for the filing will not be eligible to receive any fees or other compensation above the amount normal and customary for such service if the required filing was not made. Currently, if such responsible party does not make the required filing, they are not entitled to any compensation.

ESTIMATED FISCAL IMPACT:

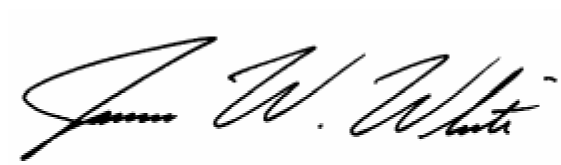
Other Fiscal Impact – The provisions of this bill may result in savings due to the disclosure requirements. To the extent that any savings do occur, if savings from disclosure were 5 to 10 basis points in the cost of issuance, local governments would experience a decrease in expenditures of $500 to $1000 per $1,000,000 borrowed. Alternatively, if such disclosure results in a 1% interest reduction over the life of a 20 year bond, the savings would be $127,321 per $1,000,000 borrowed. Additionally, allowing the payment of fees to entities responsible for required filings that do not make such filings would, in theory, result in an increase in expenditures to local governments. However, because the required form was drafted in December of 2004, there are no known instances of this payment being withheld according to current law.

Assumptions:

- There would be some savings incurred due to the disclosure provisions of the bill.
- The amendment to T.C.A. 9-21-151(b)(1) provided in the bill states, in the first two lines, that the provisions of that section relate to debt obligations and not loan and purchase agreements. The latter portion of that section then refers to loan or lease-purchase agreements. It is assumed that this is a drafting error and that this latter portion actually refers to debt obligations other than loan agreements and lease purchase agreements.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director